

Inspector General

United States
Department of Defense



Repair and Maintenance Contracts for
Aircraft Supporting Coalition Forces
in Afghanistan, Iraq, and Kuwait

Report Documentation Page				Form Approved OMB No. 0704-0188	
Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.					
1. REPORT DATE 26 MAR 2010		2. REPORT TYPE		3. DATES COVERED 00-00-2010 to 00-00-2010	
4. TITLE AND SUBTITLE Repair and Maintenance Contracts for Aircraft Supporting Coalition Forces in Afghanistan, Iraq, and Kuwait				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Department of Defense Inspector General, 400 Army Navy Drive, Arlington, VA, 22202-4704				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT Same as Report (SAR)	18. NUMBER OF PAGES 42	19a. NAME OF RESPONSIBLE PERSON
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified			

Additional Copies

To obtain additional copies of this report, visit the Web site of the Department of Defense Inspector General at <http://www.dodig.mil/audit/reports> or contact the Secondary Reports Distribution Unit at (703) 604-8937 (DSN 664-8937) or fax (703) 604-8932.

Suggestions for Audits

To suggest or request audits, contact the Office of the Deputy Inspector General for Auditing by phone (703) 604-9142 (DSN 664-9142), by fax (703) 604-8932, or by mail at:

ODIG-AUD (ATTN: Audit Suggestions)
Department of Defense Inspector General
400 Army Navy Drive (Room 801)
Arlington, VA 22202-4704



Acronyms and Abbreviations

ACO	Administrative Contracting Officer
AFFARS IG	Air Force Federal Acquisition Regulation Supplement Informational Guidance
CFT	Contract Field Team
CMP	Contract Management Plan
DCMA	Defense Contract Management Agency Ohio River Valley
FAR	Federal Acquisition Regulation
QAR	Quality Assurance Representative
QASP	Quality Assurance Surveillance Plan
TSC	Theater Sustainment Command



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

MAR 26 2010

MEMORANDUM FOR AUDITOR GENERAL, DEPARTMENT OF THE ARMY
ASSISTANT SECRETARY OF THE AIR FORCE FOR
FINANCIAL MANAGEMENT AND COMPTROLLER
COMMANDER, DEFENSE CONTRACT MANAGEMENT
AGENCY

SUBJECT: Repair and Maintenance Contracts for Aircraft Supporting Coalition Forces
in Afghanistan, Iraq, and Kuwait (Report No. D2010-047)

We are providing this report for your review and comment. We considered management comments on a draft of this report in preparing the final report. We conducted this audit pursuant to Public Law 110-181, "The National Defense Authorization Act for Fiscal Year 2008," section 842, "Investigation of Waste, Fraud, and Abuse in Wartime Contracts and Contracting Processes in Iraq and Afghanistan," January 28, 2008. We considered management comments on the draft of this report in preparing the final report.

DOD Directive 7650.3 requires that all recommendations be resolved promptly. As a result of management comments, we deleted Recommendations A.1.a and A.1.e and renumbered Recommendations A.1.b, A.1.c, and A.1.d as A.1.a, A.1.b, and A.1.c. The 1st Theater Sustainment Command comments were partially responsive to Recommendation A.2. We request additional comments on Recommendation A.2 by April 26, 2010.

If possible, please send a .pdf file containing your comments to audros@dodig.mil. Copies of the management comments must contain the actual signature of the authorizing official. We are unable to accept the /Signed/ symbol in place of the actual signature. If you arrange to send classified comments electronically, you must send them over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-8866 (DSN 312-664-8866).

A handwritten signature in blue ink, reading "Alice F. Carey".

Alice F. Carey
Acting Assistant Inspector General
Readiness, Operations, and Support



Results in Brief: Repair and Maintenance Contracts for Aircraft Supporting Coalition Forces in Afghanistan, Iraq, and Kuwait

What We Did

We determined whether equipment repair and maintenance contracts for aircraft supporting coalition forces in Afghanistan, Iraq, and Kuwait were effective. To determine effectiveness, we evaluated the efficiency of oversight controls and adequacy of training programs to ensure that DOD received services it paid for. Specifically, we reviewed four task orders awarded by the Air Force Contract Field Team (CFT) Program for over \$900 million. Although this is an Air Force program, the Army is the primary customer.

What We Found

Defense Contract Management Agency Ohio River Valley (DCMA) has generally established controls for monitoring CFT work sites. However, more can be done to improve oversight. Specifically, improving the tracking and reporting of rework, requiring floor checks be performed, and conducting site visits should provide DOD with reasonable assurance that services acquired for repair and maintenance of aircraft exceeding \$900 million represented the best value to DOD. Further, the Army should evaluate lower risk contract types to procure aircraft maintenance services rather than using time-and-materials contracts.

In addition, the training program implemented by the Air Force, Oklahoma City Air Logistics Center CFT Program Office (CFT Program Office) was not effective in preparing oversight personnel to perform their duties. Specifically, 15 of the 24 project officers and 9 of the 20 quality assurance representatives (QARs) interviewed did not receive training.

These training and oversight deficiencies constitute a weakness in internal controls. Implementation of recommendations will improve these deficiencies.

What We Recommend

We recommend the Commander, DCMA, strengthen the requirement for reporting and tracking of rework, as well as require daily floor checks be performed and conduct site visits to augment existing oversight.

We also recommend that the Commander, 1st Theater Sustainment Command (TSC), coordinate with the Army Contracting Command to determine whether alternative contract types would be more appropriate for the procurement of aircraft maintenance services and determine if future acquisitions for these services will exceed \$1 billion and require review by the Under Secretary of Defense for Acquisition, Technology, and Logistics.

Additionally, we recommend that the Commander, CFT Program Office, ensure that all project officers and QARs complete the required training, track the training of all project officers and QARs, and update training to include detailed methods for performing and reporting floor checks.

Management Comments and Our Response

DCMA and the CFT Program Office comments were fully responsive. The 1st TSC comments were partially responsive and require additional comments. See the recommendations table on page ii.

Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Commander, Defense Contract Management Agency, Ohio River Valley		A.1.a, A.1.b, A.1.c
Commander, 1st Theater Sustainment Command	A.2	
Commander, Air Force, Oklahoma City Air Logistics Center Contract Field Team Program Office		B.1, B.2, B.3

Please provide comments by April 26, 2010.

Table of Contents

Introduction	1
Background	1
Review of Internal Controls	3
Finding A. Oversight of Contract Field Team Program in Southwest Asia	5
Recommendations, Management Comments, and Our Response	8
Finding B. Contract Field Team Training	11
Recommendations, Management Comments, and Our Response	14
Appendices	
A. Scope and Methodology	16
B. Prior Audit Coverage	18
C. Contract Field Team Program Overview	20
D. Management Comments on CFT Reporting and Our Response	23
Management Comments	
Air Force, Oklahoma City Air Logistics Center	
Contract Field Team Program Office	24
1st Theater Sustainment Command	27
Defense Contract Management Agency, Ohio River Valley	30

Introduction

We determined whether equipment repair and maintenance contracts for aircraft supporting coalition forces in Afghanistan, Iraq, and Kuwait were effective. To determine effectiveness, we evaluated the efficiency of oversight controls and adequacy of training programs to ensure that DOD received services it paid for. Specifically, we reviewed four task orders awarded by the Air Force Contract Field Team (CFT) Program for over \$900 million. Although this is an Air Force program, the Army is the primary customer. See Appendix A for a discussion of scope and methodology and Appendix B for a list of prior audit coverage.

Background

We performed this audit pursuant to Public Law 110-181, “The National Defense Authorization Act for Fiscal Year 2008,” section 842, “Investigation of Waste, Fraud, and Abuse in Wartime Contracts and Contracting Processes in Iraq and Afghanistan,” January 28, 2008. Section 842 requires “thorough audits . . . to identify potential waste, fraud, and abuse in the performance of (1) Department of Defense contracts, subcontracts, and task and delivery orders for the logistical support of coalition forces in Iraq and Afghanistan; and (2) Federal agency contracts, subcontracts, and task and delivery orders for the performance of security and reconstruction functions in Iraq and Afghanistan.”

In response to the FY 2008 National Defense Authorization Act, the DOD Office of Inspector General collaborated with the Inspectors General of the Department of State and the U.S. Agency for International Development, the Special Inspector General for Iraq Reconstruction, Auditors General of the U.S. Army Audit Agency and the U.S. Air Force Audit Agency, and the Director of the Defense Contract Audit Agency to develop the comprehensive audit plan for Southwest Asia. The audit plan expands beyond the statutory mandate in the FY 2008 National Defense Authorization Act to include key issue areas such as financial management, systems contracts, and human capital for contract administration. This plan highlighted projects for each of the agencies and identified equipment repair and maintenance contracts in support of Operations Iraqi Freedom and Enduring Freedom as a DOD Office of Inspector General project.

Review of Equipment Repair and Maintenance Contract

We focused our audit on aircraft maintenance contracts with a place of performance in Afghanistan, Iraq, and Kuwait. We judgmentally selected contract actions valued at more than \$5 million; this resulted in three task orders from Air Force contract F34601-97-D-0425. Specifically, we selected task orders 0263, 0305, and 0345 for review. To accurately assess oversight procedures, the team elected to incorporate aspects of task order 0003 of the follow-on contract FA8108-09-D-0005 awarded in January 2009. This is the current contract action in place at the sites we reviewed. Table 1 reflects the dollar values associated with the task orders we reviewed.

Table 1. Contract Actions

Contract Number	Task Order Number	Award Amount	Actual Amount
F34601-97-D-0425	0263	\$23,942,341	\$221,253,521
	0305	\$26,904,000	\$252,639,416
	0345	\$23,093,900	\$274,403,600
FA8108-09-D-0005	0003	\$162,530,035	In process

The Air Force Oklahoma City Air Logistics Center CFT Program Office awarded contract F34601-97-D-0425 to Raytheon Aerospace, LLC in July 1997. As a result of an amendment to its certificate of incorporation, Raytheon Aerospace, LLC changed its corporate name to Vertex Aerospace, LLC in June 2003. A later amendment to its certificate of incorporation was made in February 2004, changing the corporate name of Vertex Aerospace, LLC to L-3 Communications Vertex Aerospace, LLC. For the purposes of this report, we will refer to the contractor as L-3 Vertex.

Contract Field Team Program

The Air Force Materiel Command CFT program performs organizational, intermediate, and depot-level maintenance and modification of aircraft. A CFT is a group of contractor maintenance personnel who are provided with Government-furnished tools or equipment, workspace, and supplies to accomplish modification, maintenance, and repair efforts on-site at operational Government locations worldwide. The CFT Program Office awarded all contracts and task orders we reviewed. Although this is an Air Force Program, the Army is the primary customer on the task orders reviewed. See Appendix C for details on the CFT Program.

Federal and DOD Guidance

Federal Acquisition Regulation (FAR) Part 16.6, “Time-and-Materials, Labor-Hour, and Letter Contracts,” states that a time-and-materials contract provides no positive incentive to the contractor for cost control or labor efficiency. Therefore, appropriate Government surveillance of contractor performance is required to give reasonable assurance that efficient methods and effective cost controls are being used. The CFT contracts we reviewed are time-and-materials contracts for the procurement of contractor labor to repair aircraft and required materials.

Air Force Logistics Command Regulation 66-33, “Equipment Maintenance: Contract Field Team Program,” states that CFT oversight is performed by personnel who are not normally familiar with contracting procedures. This increases the necessity for unusual management control by the administrative contracting officer (ACO) to ensure adequate contract surveillance. The CFT Program Office delegated responsibility for contract administration to the Defense Contract Management Agency Ohio River Valley

(DCMA). Additional guidance specific to CFT contracts is provided in Air Force Materiel Command Instruction 21-141, "Contract Field Team Program." This Instruction prescribes policy and establishes procedures to activities engaged in CFT management, procurement, and contract administration. This guidance outlines production and performance surveillance as the primary functions of DCMA.

DCMA Guidance

The DCMA Contract Management Plan (CMP) provides guidance to project officers and quality assurance representatives (QARs) assigned to monitor contractor performance at CFT work sites. The CMP identifies responsibilities of the project officers and QARs and establishes methods for the surveillance of the contractor. Significant surveillance methods in the CMP include performing floor checks, validating contractor billable hours, and processing required monthly performance reports. See Appendix C for further discussion of the CMP and DCMA roles and responsibilities.

U.S. Army Central Command

The U.S. Army Central Command developed a quality assurance surveillance plan (QASP) to establish quality assurance measures for rotary-wing aircraft maintenance activities located in Southwest Asia. The QASP states the QAR is responsible for identifying the processes that require evaluation. It also states that the QAR is responsible for validating the contractors' work and establishing procedures that are in compliance with the contract and performance work statement. The QASP also establishes that the QAR will conduct monthly evaluations utilizing an internally developed checklist that evaluates the contractors' work performance based on the tasks performed at maintenance locations.

Review of Internal Controls

We identified internal control weaknesses on contract oversight and training for the repair and maintenance of aircraft and aircraft components supporting Operations Iraqi Freedom and Enduring Freedom as defined by DOD Instruction 5010.40, "Managers' Internal Control (MIC) Program Procedures," January 4, 2006. DOD Instruction 5010.40 states that internal controls are the organization's policies and procedures that help program and financial managers achieve results and safeguard the integrity of their programs. The Instruction also requires DOD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls.

We did not assess the individual internal control programs for the CFT Program Office and DCMA. However, during our review of some key internal controls applicable to the effectiveness of contractor oversight and training for the repair and maintenance of aircraft, we identified control weaknesses. Internal controls on contract oversight and training were generally in place; however, we did identify some control weaknesses specific to the quality and timeliness of training and noncompliance with documented oversight controls. We describe these issues of noncompliance and controls needing improvement in our report. Implementing recommendations in this report will improve the internal controls regarding the effectiveness of contractor oversight, as well as the

quality and timeliness of training. We will provide a copy of the report to the senior DCMA and Air Force officials responsible for internal controls.

Finding A. Oversight of Contract Field Team Program in Southwest Asia

Although controls are generally in place for monitoring contract performance at CFT work sites in Southwest Asia, more can be done to improve the oversight and surveillance of contractor operations. Specifically, improving the tracking and reporting of rework hours; requiring floor checks be performed; and conducting site visits should provide DOD reasonable assurance that services for repair and maintenance of aircraft, exceeding more than \$900 million to date, are operating efficiently, while also mitigating risks of potential fraud, waste, and abuse of Government funds. In addition, the Army should evaluate the use of alternate contract types with less risk to DOD.

Management of Aircraft Maintenance Program

The U.S. Army designated 1st Theater Sustainment Command (TSC) as the lead agency responsible for aviation maintenance and logistic support of rotary wing aircraft in Southwest Asia. The U.S. Army Central Command held this responsibility until February 2009 when 1st TSC assumed this responsibility. Although 1st TSC assumed this responsibility, the QASP and CMP developed under U.S. Army Central Command remain in effect for the current task order. The command organizations in the U.S. Central Command area of responsibility that require rotary wing aircraft support services (the requiring activities) include the Combined Joint Task Force-101 in Afghanistan; the Multi-National Corps-Iraq in Iraq; and the Coalition Forces Land Component Command in Kuwait. For a complete description of the requiring activity oversight structure, see Appendix C.

Improving Oversight Controls

DCMA has generally established controls for monitoring contractors at CFT work sites; however, additional actions are required to ensure DOD has reasonable assurance that task orders issued for repair and maintenance of aircraft are administered effectively.

Rework

DCMA did not require the regular reporting of rework and ensure that instances of rework were appropriately billed. The CMP defines contractor rework hours as those expended by the contractor redoing defective work in order to make the work acceptable. The CMP provides the following guidance on rework:

- the project officer must track all rework by the number of hours and skill classification required to correct the discrepancy,
- the rework should be annotated on the “CFT-Report of Rework” form and signed off by the contractor and the Government representative,
- the “CFT-Report of Rework” form will be attached to the monthly project officer evaluation and sent to the Contract Administration Office, and
- DOD will pay for rework hours and material but the contractor may not charge a profit.

DCMA officials responsible for contract administration stated that they did not require project officers to complete and submit reports of rework. DCMA officials' failure to require and track these reports increases the risk of the contractor inappropriately charging profit to DOD on rework repairs.

Floor Checks

The DCMA CMP states that project officers "should" perform daily floor checks to validate contractor hours but does not make it mandatory. Furthermore, DCMA did not provide guidance requiring the reporting of daily floor check results. We reviewed the CMP and determined that daily floor checks are currently the most effective means in place to verify the contractor's billable hours. The contractor's total weekly hours are recorded on the certificate of service. The project officer's signature on the certificate of service certifies that the contractor's time and attendance is reported accurately and to the appropriate task. The CMP also states the amount of surveillance in this area should be based upon the confidence that the project officer has with the contractor complying with its time and attendance system. The CMP provides guidance on time and attendance verification and states that:

- the contractor is required to maintain a daily employee sign-in roster, and
- the project officer should make daily floor checks to validate the time charged.

We interviewed, based on their availability, 24 of the 33 project officers in Afghanistan, Iraq, and Kuwait via telephone or e-mail. Only 15 of the 24 project officers who responded, or approximately 62 percent,¹ stated that they performed floor checks daily. DCMA does not provide guidance to project officers on how to conduct a floor check or require the reporting of floor check results. Failure of DCMA to require daily floor checks and provide guidance to the project officers on performing and documenting floor checks reduces the probability of detecting inaccuracies in the billable labor hours charged by the contractor to DOD.

Additionally, some of the project officers we interviewed stated that CFT duties were not their primary job and that they lacked the time to conduct floor checks every day. The Deputy Secretary of Defense issued a memorandum on August 22, 2008, stating that all requiring activities will afford contracting officer representatives the necessary resources, including time, to perform contract designated functions. DCMA should ensure that requiring activity personnel designated as project officers have the appropriate amount of time to conduct their oversight duties.

Defense Criminal Investigative Service previously investigated issues with contractor-billed labor hours. L-3 Vertex allegedly submitted inflated claims for hours worked by its employees and overcharged the U.S. Army for hours worked at Camp Taji, Iraq, from about March 1, 2004, through about August 31, 2005. The Defense Criminal

¹ Judgment Sample percentage does not generalize to universe.

Investigative Service investigated and found evidence substantiating allegations that L-3 Vertex instructed its employees in writing to take 1.5 hours for lunch and bill the time to the Government when the contract authorizes employees only half-hour lunches. Pursuant to the terms of a settlement agreement filed with the District Court, Northern District of Georgia, on December 4, 2008, L-3 Vertex paid the United States \$4,000,000 to resolve allegations that it violated the False Claims Act.

Considering the criminal investigation results that indicated contractor employees were submitting inflated claims for hours worked, and the risks we identified regarding rework hours and floor checks, we concluded that controls regarding surveillance and oversight need strengthening.

We concluded that mandatory floor checks and a standard format for reporting floor check results should increase DOD assurance that these task orders are being administered effectively.

Site Visits

DCMA officials did not conduct site visits to Afghanistan, Iraq, and Kuwait during a 4-year period (September 2005 until August 2009). The CFT Program Office delegated the contract administration functions of ensuring contractor compliance with quality assurance requirements to DCMA. DCMA has assigned an ACO, an Alternate ACO, a Quality Assurance Specialist, a Contract Administrator, a Government Flight Representative, and a Government Ground Flight Representative to administer the task orders we reviewed. The memorandum of agreement between DCMA and the CFT Program Office states that DCMA will visit active work sites and conduct oversight of contractor performance. DCMA lacks sufficient assurance that the on-site surveillance performed by project officers was adequate to ensure L-3 Vertex complied with its time and attendance system in these locations. Conducting site visits more frequently may improve contract administration and mitigate risk areas associated with a time-and-materials contract. Since we completed our field work, DCMA officials did conduct a site visit to Iraq and Kuwait in August 2009.

Alternate Contract Types

The Director of Defense Procurement, in a memorandum issued February 18, 2009, stated that time-and-materials contracts are the least preferable contract type and agencies should use these contract types for no more than 10 percent of the total contract value. The current contract structure, 25 percent firm-fixed-price and 75 percent time-and-materials, does little to mitigate risks to DOD. Although we did not evaluate the pre-award decision to use a CFT contract, evaluating the use of alternate contract types with less risk to DOD may be more effective than the current time-and-materials contract.

Additionally, DOD Instruction 5000.2, "Operation of the Defense Acquisition System," December 8, 2008, states that for acquisition of services estimated to cost more than \$1 billion, decision authorities shall notify the Under Secretary of Defense for Acquisition, Technology, and Logistics of the proposed acquisition and seek approval for it. We determined that the amounts expended on the task orders we reviewed combined

with the amount awarded on the current task order was approximately \$900 million. This amount, combined with the estimated amount of the next option year (\$208 million), would result in exceeding the \$1 billion threshold and require the approval from the Under Secretary of Defense for Acquisition, Technology, and Logistics.

Conclusion

Time-and-materials contracts provide no positive incentive to the contractor for cost control and labor efficiency. Appropriate surveillance of contractor performance is required to give reasonable assurance that the contractor is operating efficiently and effectively. DCMA, project officers, and QARs could increase surveillance on task orders we reviewed by tracking and reporting rework, making floor checks mandatory, and increasing the frequency of their site visits. In addition, using an alternate type of contract that requires less oversight may be more effective for filling the requirements for aircraft repair and maintenance in Afghanistan, Iraq, and Kuwait.

Recommendations, Management Comments, and Our Response

Renumbered and Deleted Recommendations

As a result of management comments, we deleted Recommendations A.1.a and A.1.e and renumbered Recommendations A.1.b, A.1.c, and A.1.d as A.1.a, A.1.b, and A.1.c.

Defense Contract Management Agency Comments Resulting in Deleted Recommendations

The Executive Director, Defense Contract Management Agency Aeronautical Systems Division, did not agree with draft Recommendation A.1.a, stating that the recommendation is beyond the scope of their responsibility. The director stated that the performance work statement defines the standards to monitor the contractor's productivity and effectiveness. The director also stated the customer develops the standards and is currently revising the metrics for those standards. DCMA officials further stated that they do not believe developing a standardized metric as a measure of effectiveness is possible.

Additionally, the Executive Director, Defense Contract Management Agency Aeronautical Systems Division, disagreed with draft Recommendation A.1.e, stating that the recommendation is beyond the scope of their responsibility because the program office and end user determine the need for automated controls. The director stated that while automated processes may be beneficial at some locations, currently there is no requirement for the use of automated systems at operational work sites, especially those in combat zones.

Our Response

The Defense Contract Management Agency comments are fully responsive. After conducting additional audit work, we agree that the recommendations are beyond DCMA's scope of responsibility. We deleted the recommendations.

A.1. We recommend that the Commander, Defense Contract Management Agency Ohio River Valley:

- a. Require the tracking and processing of reports of rework hours and ensure that profit is not charged on rework;**

Defense Contract Management Agency Comments

The Executive Director, Defense Contract Management Agency Aeronautical Systems Division, agreed with the draft recommendation, stating they will require the submission of rework by project officers and reemphasize this in the project officer and QAR training conducted by the CFT Program Office. Estimated completion date February 15, 2010.

Our Response

The Defense Contract Management Agency comments are fully responsive to the draft recommendation. No further comments are required.

- b. Require floor checks to be performed and reported in a format that will increase oversight of contractor labor hour charging practices; and**

Defense Contract Management Agency Comments

The Executive Director, Defense Contract Management Agency Aeronautical Systems Division, partially agreed with the draft recommendation, stating that the DCMA CMP already requires the performance of floor checks by project officers. The director stated they will address floor check requirements during site visits and during annual CFT conferences. Additionally, the DCMA ACO will request that the Defense Contract Audit Agency perform floor check audits to increase the oversight of charges for labor hours on the 60 percent of contracts that are time-and-materials. Estimated completion date January 30, 2010.

Our Response

While Defense Contract Management Agency partially agreed with the draft recommendation, we considered the comments fully responsive. No further comments are required.

- c. Conduct site visits to Afghanistan, Iraq, and Kuwait to augment existing oversight of requiring activities.**

Defense Contract Management Agency Comments

The Executive Director, Defense Contract Management Agency Aeronautical Systems Division, agreed with the draft recommendation, stating that officials from the CFT Program Office and DCMA visited Kuwait and Iraq from August 17 to September 3, 2009, and have another trip scheduled to Afghanistan in the spring of 2010.

Our Response

The Defense Contract Management Agency comments are fully responsive to the draft recommendation. No further comments are required.

- A.2. We recommend that the Commander, 1st Theater Sustainment Command, coordinate with Army Contracting Command to determine whether a more appropriate contract type could be used for the procurement of aircraft repair services and whether future acquisitions for these services will exceed \$1 billion and require review by the Under Secretary of Defense for Acquisition, Technology, and Logistics.**

1st Theater Sustainment Command Comments

The 1st Theater Sustainment Command Aviation Maintenance Officer in Charge partially agreed with the draft recommendation, stating the current structure of the contract that began on February 6, 2009, which uses 25 percent firm-fixed-price and 75 percent time-and-materials, enables cost efficiency by giving the Government the flexibility to adjust paid work hours to workload. Firm-fixed-price will be utilized to the maximum extent possible, but it is difficult to predict maintenance in a warzone so the use of time-and-materials is expected to continue. The officer in charge stated that if future acquisitions occur that cause the contract to exceed the \$1 billion threshold and require review by the Under Secretary of Defense for Acquisition, Technology, and Logistics, 1st Theater Sustainment Command will coordinate with Army Contracting Command.

Our Response

The 1st Theater Sustainment Command comments are partially responsive. We determined that coordinating with the Army Contracting Command would be the best way to determine the appropriate vehicle for procuring aircraft maintenance services. The 1st Theater Sustainment command did not give a date for completion of this coordination. We request that the Commander, 1st Theater Sustainment Command, provide comments to the final report that include completion time frames for coordinating and evaluating the type of contract vehicle used to procure aircraft maintenance services.

Finding B. Contract Field Team Training

The CFT Program Office has initiated corrective actions to strengthen training for project officers and QARs. However, we identified that some project officers and QARs did not receive CFT-specific training. This occurred because the CFT Program Office did not ensure project officers and QARs completed CFT training prior to receiving their delegations. Additionally, we determined more detailed training specific to verifying contractor hours billed should be included in CFT training programs. As a result, DOD did not have reasonable assurance that contracted services for the repair and maintenance of aircraft were executed efficiently and effectively.

CFT Training

CFT Program Office officials responsible for training have taken action to ensure project officers and QARs receive training prior to assuming their CFT responsibilities. For example, we reviewed two versions of the CMP, dated March 20, 2006, and September 25, 2008. The first CMP version did not identify any training requirements for project officers or QARs. The later version included new requirements for CFT Phase I and Phase II training. In addition to the CFT Phase I and Phase II training, DCMA and the CFT Program Office hold an annual CFT conference to provide additional training to project officers and QARs.

CFT Program Office Phase I Training

Initially, CFT Phase I training was for both project officers and QARs. The CFT Phase II training was for QARs only and tailored for the individual work sites. Because of recent reviews, to include this audit, the CFT Program Office issued a memorandum on April 15, 2009, requiring both project officers and QARs to take CFT Phase II training. We compared the CFT Phase I training presentation to the project officer and QAR duties listed in the CMP and the QASP. For additional information on the CMP and the QASP, see Appendix C. We concluded that the Phase I Training presentation discussed several valuable subjects including:

- contractor compliance with contract quality requirements,
- performance-based service acquisition guidance,
- performance work statements,
- measurable performance objectives,
- the QASP,
- contract surveillance methods and files, and
- general contract guidance.

Additionally, we noted some discrepancies in the CFT training and guidance. For example, the CMP states the QAR is to prepare and implement a Government QASP and submit it to the ACO for approval. However, the Phase I CFT training states that the

Multi-Functional Team² develops and maintains the QASP and that QARs must perform contract surveillance in accordance with the terms of the contract, its related performance work statement, and the QASP. U.S. Army Central Command developed the QASP in effect for the task orders we reviewed.

CFT Program Office Phase II Training

The CFT Program Office developed the CFT Phase II training using subjects suggested in the Air Force Federal Acquisition Regulation Supplement Informational Guidance (AFFARS IG) 5346.103, “Contracting Office Responsibilities,” dated August 2005. This guidance also allows the contracting officer to tailor the training to fit the specific acquisition. AFFARS IG 5346.103 did not include any procedures for verification of labor hours claimed by the contractor on time-and-materials contracts, but it suggested discussion of the potential areas of fraud, waste, or abuse, and contract payment provisions. Subjects discussed in the Phase II training included general CFT contract information; areas susceptible to fraud, waste, or abuse; high technical risk areas; maintenance and submission of quality assurance surveillance documents; inspection and acceptance of contract services; certification of receipt of services; and contract administration.

DCMA CFT Annual Conference

DCMA and the CFT Program Office hold an annual conference for training and disseminating current information to project officers and QARs. DCMA made its most recent presentations to the project officers and QARs on March 4–6, 2008. Although not all project officers and QARs attended the conference, DCMA requested that they review the conference presentations. The conference provided information on surveillance and highlighted duties of the project officers and QARs.

Training of Project Officers and QARs

The CFT Program Office did not ensure all project officers and QARs received CFT-specific training. We interviewed project officers via e-mail or telephone conference at the 26 sites located in Afghanistan, Iraq, and Kuwait. Specifically, we interviewed, based on their availability, 24 of the 33 project officers assigned to monitor the CFT program at these locations. We asked each project officer if he or she had received any training for their duties. Fifteen of the 24 project officers interviewed (approximately 62 percent³) stated that they had not received training.

In addition, we contacted 20 of the 26 assigned QARs in Afghanistan, Iraq, and Kuwait. We asked each QAR whether he or she had received any quality assurance training before or after becoming a QAR for the CFT contract. Nine of the 20 QARs interviewed

² The Multi-Functional Team consists of stakeholders responsible for a service acquisition and includes representatives of the technical and procurement communities, other stakeholders of the service acquisition, as well as the contractors who provide the services. Air Force Instruction 63-124, “Performance Based Services Acquisition,” dated August 1, 2005 describes the responsibilities of the Multi-Functional Team.

³ Judgment Sample percentage does not generalize to universe.

(approximately 45 percent⁴) stated that they had not received any quality assurance training. We determined that project officers and QARs could have provided more effective and efficient oversight if they had received the appropriate training prior to assuming their duties.

Surveys Conducted by Other Organizations

The CFT Program Office also conducted two surveys assessing the skills and experience levels of project officers and QARs in the field and concluded there were many inexperienced personnel performing these duties, and that they may require additional training. Although we did not validate those survey results, we agree that training needs to be improved.

Tracking of CFT Training

Because many project officers and QARs we interviewed had not received CFT training, we concluded that training also needed improved tracking to ensure that all personnel needing the training receive it in a timely manner. A CFT Program Office official stated that it is developing an information technology system that would enhance its ability to track all the training required and received by project officers and QARs by task order.

Certifying Accuracy of Contractor Hours Billed

We identified an internal control weakness in training on verification and signature of the contractor certificate of service. The CMP requires the project officer to validate and sign the contractor's weekly certificate of service. However, none of the training or guidance we reviewed identified procedures to verify the accuracy of billable hours submitted on the contractor certificate of service. The CMP states that "the amount of surveillance in this area should be based upon the confidence that you [the Project Officer] have with the contractor complying with their system." The CMP also states that the project officer "should make daily floor checks to validate the time charged." We concluded that the CMP and the training for project officers and QARs should also detail methods for performing daily floor checks and for reporting the observations made. See Finding A, page 6, for further discussion on floor checks.

Conclusion

We commend the CFT Program Office for initiating actions to address risk areas regarding training of project officers and QARs; however, more action is needed to further mitigate risk areas. We evaluated the training provided to project officers and QARs by DCMA and the CFT Program Office. We concluded that project officers and QARs were not all receiving training related to the CFT program prior to assuming their oversight duties. As a result, task orders we reviewed may have not been administered effectively. The Deputy Secretary of Defense issued guidance on August 22, 2008, stating that service contracts require effective surveillance and the training of contract officer representatives is critical. The Deputy Secretary of Defense requires trained and

⁴ Judgment Sample percentage does not generalize to universe.

ready contracting officer representatives prior to contract award. We concluded that this includes project officers and QARs because they provide day-to-day oversight.

Additionally, we determined that updating the CFT training to include detailed methods for validating contractor billable hours would improve the current training programs. Implementing recommendations we make in this report should improve the training provided to project officers and QARs as well as the overall oversight of these task orders.

Recommendations, Management Comments, and Our Response

B. We recommend that the Commander, Air Force Oklahoma City Air Logistics Center Contract Field Team Program Office:

- 1. Ensure that all project officers and quality assurance representatives have completed the required Contract Field Team training prior to assuming their duties.**

Air Force Oklahoma City Air Logistics Center Contract Field Team Program Office Comments

The Director, CFT Program Office, agreed with the recommendation and stated that the program office had attempted to obtain entry into the U.S. Central Command area of operations for more than a year to train newly appointed project officers and QARs and that they were first able to do so in August 2009. The director also stated that in October 2009, the CFT Program Office held pre-deployment training of project officers and QARs who were deploying to Afghanistan and that project officers and QARs deploying to Iraq or Kuwait would receive pre-deployment training in December 2009. Additionally, the director stated that a new information system was in development to assist the CFT Program Office with tracking the training of project officers and QARS. Further, the CFT Program Office would verify that all project officers and QARs had completed their Phase I and II CFT Training.

Our Response

The Air Force Oklahoma City Air Logistics Center Contract Field Team Program Office comments to the draft recommendation were fully responsive. No further comments are required.

- 2. Track training of all project officers and quality assurance representatives to ensure they received the required training prior to assuming their oversight responsibilities.**

Air Force Oklahoma City Air Logistics Center Contract Field Team Program Office Comments

The Director, CFT Program Office, agreed with the recommendation and stated that the office policy was to not award new task orders until project officers and QARs completed their Phase I and II CFT Training and the office would add this policy to Air Force Materiel Command Instruction 21-141 next year. The director concluded that the primary difficulty in maintaining trained staff results from personnel turnover of project officers and QARs and believed that the new information system would provide an effective tool for tracking personnel turnover and facilitating immediate training.

Our Response

The Air Force Oklahoma City Air Logistics Center Contract Field Team Program Office comments to the draft recommendation were fully responsive. No further comments are required.

3. Update Contract Field Team training programs to include detailed methods for validating contractor hours billed.

Air Force Oklahoma City Air Logistics Center Contract Field Team Program Office Comments

The Director, CFT Program Office, agreed with the recommendation and stated that they will include detailed information on how to validate contractor hours billed in the Phase I CFT Training.

Our Response

The Air Force Oklahoma City Air Logistics Center Contract Field Team Program Office comments to the draft recommendation were fully responsive. No further comments are required.

Appendix A. Scope and Methodology

We conducted this performance audit from July 2008 through October 2009 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We did not evaluate pre-award decisions on the selected contracts and task orders. However, we do discuss the possibility that using a different contract type might be more effective to fill these requirements than improving oversight procedures on time-and-materials contracts.

Our audit focused on aircraft maintenance contracts with places of performance in Afghanistan, Iraq, and Kuwait. Specifically, we examined Air Force CFT time-and-materials contract F34601-97-D-0425 and non-statistically selected for review task orders valued at more than \$5 million. The task orders selected were 0263, 0305, and 0345, and covered periods of performance from September 23, 2005, to September 20, 2008.

Contract F34601-97-D-0425 expired during our audit; therefore, we expanded our review to include task order 0003 of Air Force CFT contract FA8108-09-D-0005, which is the follow-on contract now in operation in Afghanistan, Iraq, and Kuwait. We conducted a survey of Government project officers and QARs for task order 0003 of contract FA8108-09-D-0005 to determine if they received appropriate training and to gain an understanding of current contract administration practices used for oversight of CFT contractors. Additionally, we reviewed and evaluated the adequacy of training presentations for Government project officers and QARs who were responsible for oversight.

Use of Computer-Processed Data

We collected contractor reports produced by the contractor's database, developed by SAP AG, to identify supporting labor transactions. The reports listed time sheets for labor hours incurred during work on CFT contract F34601-97-D-0425 and task orders 0263, 0305, and 0345. We obtained these accounting reports for each of 14 sample invoices that we selected for review. However, we did not rely upon these contractor reports for our audit conclusions, and we do not discuss our analysis of invoices and labor transactions in this report.

Use of Technical Assistance

We obtained technical assistance from the DOD Office of Inspector General, Quantitative Methods and Analysis Division in developing the sample design for our audit, and used a two-stage random sample design. In the first stage, we selected a sample of invoices on the contract task orders, and in the second stage, we selected a sample of supporting labor documents to verify the labor hours on the sample invoices. Through analysis of the

invoices and labor documents and consultation with the Defense Criminal Investigative Service, we determined that the review of these documents would not be sufficient to detect any billing irregularities that originated in Afghanistan, Iraq, or Kuwait. As a result, we did not use the sampling concepts for statistical projection in this report.

Appendix B. Prior Audit Coverage

During the last 5 years, the Government Accountability Office (GAO), the DOD Inspector General (IG), and the Air Force Audit Agency (AFAA) have issued five reports discussing time-and-materials contracts. In addition, during the last 5 years, the Defense Contract Audit Agency (DCAA) has issued five reports discussing timekeeping procedures and internal controls over contractor employee labor at L-3 Vertex.

Unrestricted GAO reports can be accessed over the Internet at <http://www.gao.gov>.

Unrestricted DOD IG reports can be accessed at <http://www.dodig.mil/audit/reports>.

Unrestricted Air Force Audit Agency reports can be accessed at

<https://afkm.wpafb.af.mil/ASPs/CoP/OpenCoP.asp?Filter=OO-AD-01-41>. DCAA audit reports are not available, except by restricted distribution.

GAO

GAO Report No. 07-273, “Improved Insight and Controls Needed over DOD’s Time-and-Materials Contracts,” June 29, 2007

DOD IG

DOD IG Report No. D-2006-010, “Contract Surveillance for Service Contracts,” October 28, 2005

Air Force

AFAA Report No. F2008-0005-FC1000, “Contract Field Team Program Management,” June 4, 2008

AFAA Report No. F2008-0002-FC1000, “Procurement of Contract Field Team Services,” November 13, 2007

AFAA Report No. F-2008-0001-FC1000, “Management and Oversight of the Acquisition of Services Process,” October 1, 2007

Defense Contract Audit Agency

DCAA Report No. 3531-2008N13500002 (Revised), “Report on Evaluation of the Contractor’s Timekeeping Procedures (Floor Checks) at Oklahoma City, Oklahoma,” September 26, 2008

DCAA Report No. 3531-2006N13010001, “Report on Testing Performed on Labor System Internal Control Activities,” September 18, 2007

DCAA Report No. 3531-2007N13500002, “Report on Evaluation of the Contractor’s Timekeeping Procedures (Floor Checks),” September 11, 2007

DCAA Report No. 3531-2006N13500001, "Report on Labor Floor Check and Review of Timekeeping Procedures and Practices," September 29, 2006

DCAA Report No 3531-2005N13500002, "Report on Labor Floor Check and Review of Timekeeping Procedures and Practices," June 5, 2006

Appendix C. Contract Field Team Program Overview

CFT Program

The Air Force Materiel Command CFT Program performs organizational, intermediate, and depot-level maintenance and modification of aircraft. A CFT is a group of contractor maintenance personnel who provide modification, maintenance, and repair efforts on-site at operational Government locations worldwide.

CFT Program Office

The Air Force Oklahoma City Air Logistics Center CFT Program Office is responsible for negotiating and awarding the basic CFT contracts as well as managing CFT funding actions. The CFT Program Office reconciles CFT funding actions against the Contract Business Intelligence Service system, quarterly, to ensure CFT contract actions do not exceed approved contract ceilings.

CFT Contract Administration

DCMA is delegated contract administration responsibility as specified in a memorandum of agreement between DCMA and the U.S. Air Force in accordance with FAR Part 42, "Contract Administration and Audit Services." This responsibility is executed through an ACO. The Oklahoma City Air Logistics Center CFT Program Office delegated DCMA as the contract administration office responsible for the contract. The primary functions include production and performance surveillance. DCMA approved the CMP to provide general information and specific guidance to personnel assigned to monitor contractor performance at CFT work sites.

Requiring Activity Oversight Structure

DCMA delegates requiring activity personnel to oversee the contract and ensure the contractor is providing appropriate service. The primary customer in Iraq is the Multi-National Corps-Iraq; in Afghanistan it is the Combined Joint Task Force-101; and in Kuwait it is the Coalition Forces Land Component Command.

1st Theater Sustainment Command

The U.S. Army designated 1st TSC as the lead agency responsible for aviation maintenance and logistic support of rotary wing aircraft in Southwest Asia. The U.S. Army Central Command and Third U.S. Army previously held the responsibility for the CFT Program until February 2009 when 1st TSC assumed responsibility for the program.

Theater Project Officer

The theater project officer receives reports from each country evaluating contractor performance and forwards those reports to 1st TSC. The theater project officer may also perform the functions of a project officer for one or more contractor work sites.

Additionally, the theater project officer can handle any administration issues that may be beyond the project officer abilities.

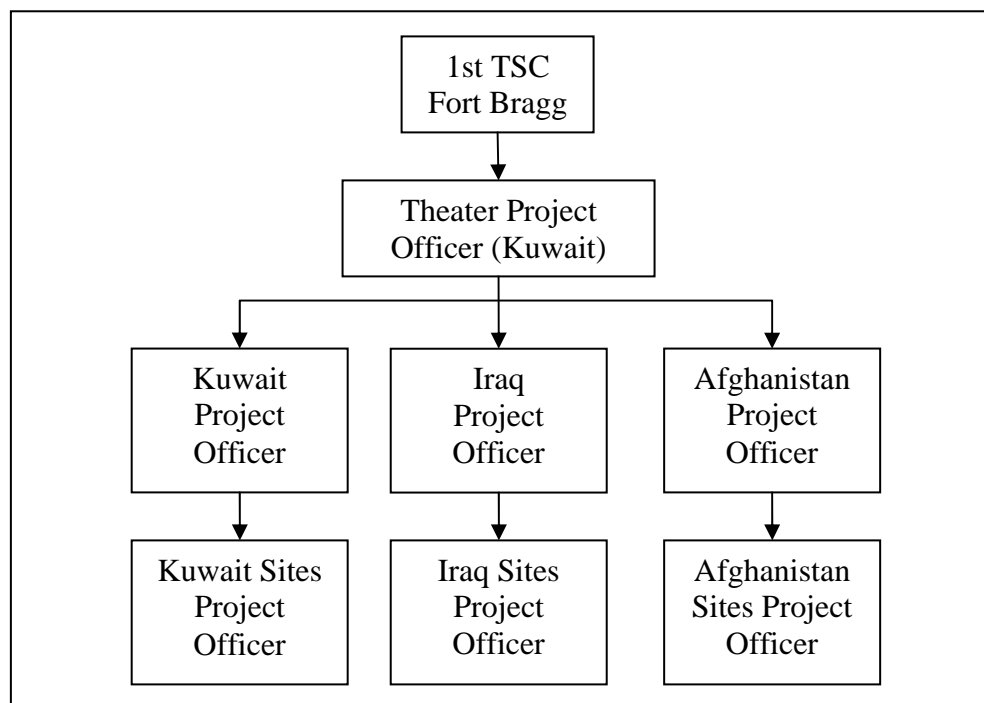
Project Officer

Each country has a designated project officer who has the responsibility for the overall surveillance of the CFT program work sites within that country. The project officer is designated by the requiring activity and receives a delegation from DCMA. Each project officer delegates authority to the alternate project officer for individual sites within his/her country of authority. Project officers also are responsible for compiling monthly CFT Form 104 reports that indicate manning assigned and authorized, number and types of inspections performed, and any corrective action reports. The project officer sends the compilation of these reports to the theater project officer.

Alternate Project Officer

The project officers delegate alternate project officers for each individual site within each country. At some locations in Afghanistan, Iraq, and Kuwait, the CFT contractor work sites do not have on-site project officers so the alternate project officer performs the duties of a project officer at those work sites. For the purposes of our report, we refer to project officers and alternate project officers collectively.

Oversight Reporting Structure



Contract Management Plan

The CMP provides general information and specific guidance to project officers and QARs on how to monitor contractor performance at CFT work sites. The CMP describes

the duties that assure the contractor complies with the contract terms and protects the interests of the Government. The CMP also discusses the relationships between project officers, QARs, and contractors, while identifying standards of conduct.

Duties of the project officer identified in the CMP include:

- signing contractor Certificates of Service to certify Government receipt of services;
- coordinating between contractor and ACO for approval of contractor purchases, overtime, and personnel travel; and
- coordinating between the contractor and the CFT Program Office or the ACO for approval of contract changes.

Duties of the QAR identified in the CMP include:

- reviewing quality and safety standards, technical manuals, and site-specific guidance of the Government and contractor;
- identifying safety items and characteristics requiring 100 percent surveillance;
- preparing reports to evaluate contractor work and compliance with standards; and
- maintaining Government inspection and quality assurance files.

Quality Assurance Surveillance Plan

The U.S. Army Central Command developed a QASP to establish quality assurance measures for rotary-wing aircraft maintenance activities located in Southwest Asia. The QASP states the QAR is responsible for identifying the processes that require evaluation. It also states that the QAR is responsible for validating the contractors' work and establishing procedures that are in compliance with the contract and performance work statement. The QASP also establishes that the QAR will conduct monthly evaluations utilizing an internally developed checklist that evaluates the contractors' work performance based on the tasks performed at maintenance locations. Although the 1st TSC assumed responsibility for the program in February 2009, the U.S. Army Central Command QASP remains in effect for the current task order.

Appendix D. Management Comments on CFT Reporting and Our Response

The 1st TSC provided responses to specific areas in Finding A regarding measures of contractor productivity, rework, and manning requirements. The 1st TSC Aviation Maintenance Officer in Charge did not agree with the statement that “Officials from 1st TSC stated that CFT sites do not report completed units consistently.” The officer in charge stated that this statement was false and that the “units” identified in the draft report are work orders and scheduled inspections, which require a non-standard amount of labor hours to complete. The officer in charge stated that all work orders are tracked by the project officers and QARs at the individual support unit level, but there is no requirement for 1st TSC to track work orders; the officer in charge also stated that DOD Office of Inspector General personnel would need to visit the individual units to perform analysis of individual work orders.

Additionally, the officer in charge indicated that the statement “Personnel at 1st TSC attributed this difference in output to the inconsistent reporting of completed units” was false, and stated the discrepancy between the two sites is due to the fact that “completed units” refers to work orders, which can be for various types of repairs that require large differences in man hours to complete. For example, a maintenance work order could be two hours for a relatively routine task; however, the time required to complete a work order for a phased maintenance inspection can be up to 2,000 hours. Currently, the contractor’s performance is measured against phased maintenance inspection times outlined in the performance work statement and reported on the CFT Form 104 sent to the CFT Program Office and DCMA.

The officer in charge also stated that QARs complete and submit reports of rework, which are maintained by the Theater QAR for historical documentation purposes. As for manning requirements, the officer in charge stated that they are determined by the Combatant Commander’s needs and each unit that arrives in theater has a different level of experience and skill set. For example, some units require minimal augmentation because they arrive with 100 percent manning with the required skilled and experienced personnel, yet some units arrive at less than 100 percent manning and may lack specific, necessary experience and skill sets. The officer in charge stated that these are major factors influencing the required contractor manning levels.

Our Response

We agreed and removed existing language from the draft report regarding measures of contractor productivity and contractor manning.

Air Force Oklahoma City Air Logistics Center, Contract Field Team Program Office Comments



DEPARTMENT OF THE AIR FORCE
HEADQUARTERS OKLAHOMA CITY AIR LOGISTICS CENTER (AFMC)
TINKER AIR FORCE BASE OKLAHOMA

MEMORANDUM FOR INSPECTOR GENERAL DEPARTMENT OF DEFENSE

FROM: OC-ALC/CA

SUBJECT: Repair and Maintenance Contracts for Aircraft Supporting Coalition Forces in
Afghanistan, Iraq, and Kuwait (Project No. D2008-D000LH-0249.000)

1. Comments are attached for the subject draft audit report.

2. Any questions of concerns can be directed to [REDACTED]

JOHN J. OVER
Executive Director

Attachment:
Comments on subject draft audit report

cc:
AFPEO/CM
AFMC/PK
AFMC/A4

Recommendations for B.

Recommendation, page 16, B 1: We recommend that Commander, Air Force Oklahoma City Air Logistics Center Contract Field Team Program Office ensure that all project officers and quality assurance representatives have completed the required Contract Field Team training prior to assuming their duties.

Response: Concur. The initial SWA Quality Assurance Representatives (QARs) for SWA completed required training prior to assuming duties ([REDACTED] – see attachment 1).

Corrective Action: In Aug 09, the CFT Deputy Director led a team on the Kuwait/Iraq conference to train PO/QARs in the region. All Project Officers (POs)/QARs were invited to the Kuwait and Iraq conference to complete Phase II training. The Program Office had been attempting to obtain entry into the CENTCOM AOR for over one year in order to train the newly appointed POs/QARs, and the first window of opportunity was Aug 09.

A new strategy to hold pre-deployment training sessions was implemented in Oct 2009. On 14 Oct 09 an Afghanistan pre-deployment training session/CFT conference was held in Georgia for personnel deploying to Afghanistan to ensure all POs/QARs received Phase II training. Another pre-deployment training session/CFT conference is scheduled in Dec 09 for new POs/QARs deploying to Iraq/Kuwait.

A new information technology system called the CFT Control Panel is currently in development that will assist the CFT Program Office with tracking the site POs/QARs and completion of their training. A quality assurance representative in the CFT Program Office has been assigned to verify every CFT PO/QAR has both Phase I and II Training certificates on file and to ensure any PO/QARs that do not have both certificates on file are trained and certificates are on file for 100% of personnel by 30 Dec 09.

Recommendation B 2: Track training of all project officers and quality assurance representatives to ensure they received the required training prior to assuming their oversight responsibilities.

Response: Concur. The CFT Program Office does keep records of all Phase I and Phase II Training certificates. The policy in the office is that no new task orders shall be awarded until after the PO/QAR complete Phase I and Phase II training (see attachment 2).

Corrective Action: This policy will be incorporated into AFMCI 21-141 upon the next re-write in the next year. The difficulty is primarily in turn-over of POs/QARs during a previously awarded Task Order. The implementation of the CFT Control Panel that will provide an effective tool for tracking any turnover of POs/QARs so that training can immediately be provided.

Recommendation B3: Update Contract Field Team training programs to include detailed methods for validating contractor hours billed.

Response: Concur.

Corrective Action: Detailed information on how to validate contractor hours billed will be added to the official CFT Phase I Training by 30 Dec 09.

1st Theater Sustainment Command Comments

Final Report
Reference



REPLY TO
ATTENTION OF:

DEPARTMENT OF THE ARMY
HEADQUARTERS, 1ST SUSTAINMENT COMMAND (THEATER)
FORT BRAGG, NORTH CAROLINA 28310

ACEN-TSC-DMC-MRB

5 November 2009

FOR Inspector General Department of Defense

SUBJECT: Repair and Maintenance Contracts for Aircraft Supporting Coalition Forces in Afghanistan, Iraq, and Kuwait (Project No. D2008-D000LH-0249.000)

1. **PURPOSE:** Response to DODIG draft report Project No. D2008-D000LH-0249.000.
2. **Recommendation, page 19, A.2:** We recommend that the Commander, 1st Theater Sustainment Command coordinate with Army Contracting Command to determine whether alternate contract types, such as a mix of cost and fixed price, would be more appropriate for the procurement of aircraft repair services and whether future acquisitions for these services will exceed \$1 billion and require review by the Under Secretary of Defense for Acquisition, Technology, and Logistics.
3. **Response: Partially Concur.** The contract that began on 6 Feb 09 is currently approximately 25% FFP which is a significant improvement from the previous 0% FFP. The current mixture of FFP and T&M contractor positions gives the government the flexibility to adjust work hours according to workload for more efficient government spending. FFP Usage will be maximized to the fullest extent possible. However, in a warzone it is difficult to predict every maintenance action that will be required as the extreme conditions and usage drive unexpected maintenance requirements; therefore some percentage of T&M is expected to remain. The current FFP positions do not allow the government the flexibility to decrease spending according to workload. The contract type was analyzed for this specific task order and the most appropriate type was selected and properly justified in accordance with policy/regulation. See attached Determination and Findings.
1st TSC will coordinate with Army Contracting Command if future acquisitions for these services will exceed \$1 billion and will require review by the Under Secretary of Defense for Acquisition, Technology, and Logistics.
4. **Measures of Contractor Productivity, page 6:** In this paragraph it states, "Officials from 1st TSC stated that CFT sites do not report completed units consistently."
5. **Response: Non-Concur.** This is a false statement. [REDACTED] were the only two personnel consulted by the DODIG Team in 1st TSC. In no conversation or correspondence was this statement ever made.
"Units" as it is used in this document are maintenance work orders to correct an aircraft deficiency or to conduct a scheduled inspection and are not standardized. All work orders are completed and tracked by the individual supported unit. There is no requirement for this command to track or maintain maintenance work orders of an individual unit. There are "oversight officials" at the unit level; Program Officers and Quality Assurance Representatives. To perform analysis of the individual work orders the DODIG Team would

Deleted Report
Language on page 6

ACEN-TSC-DMC-MRB

SUBJECT: Repair and Maintenance Contracts for Aircraft Supporting Coalition Forces in Afghanistan, Iraq, and Kuwait (Project No. D2008-D000LH-0249.000)

have to visit the individual units. This Audit Team did not visit any sites particular to the Task Orders outlined in this document.

6. **Measures of Contractor Productivity, page 6:** In this paragraph it states, "Table 2 reflects data extracted from an L-3 Vertex monthly report of completed units, labor hours billed, and manning assigned to each CFT site. In addition to this information, we calculated productivity ratios to enable basic comparisons between each CFT site. For example, contractors in Mosul, Iraq, completed 10.62 units per contractor, whereas in Baghdad, Iraq, contractors only completed 0.29 units per contractor. Personnel at 1st TSC attributed this difference in output to the inconsistent reporting of completed units."

7. **Response: Non-Concur.** This is a false statement. [REDACTED] were the only two personnel consulted by the DODIG Team in 1st TSC. In no conversation or correspondence was this statement ever made.
It is not inconsistent reporting that creates the disparity between the two sites. As defined in this section, a "unit" is a maintenance work order. The maintenance work order may be for a relatively routine task that may take 2 man hours of labor to complete. On the other hand, the "unit" may be a single work order for a Phase Maintenance Inspection (PMI). This PMI may take 2,000 man hours to complete. Certain sites may conduct PMIs on a regular basis. Combatant Units use a hub and spoke maintenance concept. They will have a base or hub maintenance facility that performs most of the units "heavy" maintenance. Heavy maintenance is when extensive maintenance is being performed, such as a PMI. The unit's outlying Forward Operating Bases (FOBs) are limited on facilities and special tooling and perform less intense maintenance procedures.
The current Task Order measures the contractor's performance against PMI metrics outlined in the PWS and is recorded on the monthly CFT 104 reports that are sent to the CFP Program Office and DCMA.

8. **Rework, page 8:** The project officer must track all rework by the number of hours and skill classification required to correct the discrepancy, the rework should be annotated on the "CFT-Report of Rework" form signed off by the contractor and the Government representative, the CFT-Report of Rework form will be attached to the monthly project officer evaluation and sent to the Contract Administration Office, and the DOD will pay for rework hours and material but the contractor may not charge a profit.

9. **Response: Concur.** Program Officers and Quality Assurance Representatives do complete and submit required rework forms when applicable. Historical documentation is kept with the Theater QAR.

10. **Manning Requirements, page 7:** DCMA officials stated that it was the responsibility of the requiring activity to determine the numbers of contractors needed at specific locations. Officials at 1st TSC stated that manning levels are requested based on operations tempo or cumulative and projected flight hours.

11. **Response: Concur with Comment.** Manning requirements vary according to the Combatant Commander's need. Each unit that enters the Theater of Operation varies in MTOE manning and experience. It is the Combatant Commander's decision as to the level of

Deleted Report
Language on page 6

Deleted Report
Language on page 7

ACEN-TSC-DMC-MRB

SUBJECT: Repair and Maintenance Contracts for Aircraft Supporting Coalition Forces in Afghanistan, Iraq, and Kuwait (Project No. D2008-D000LH-0249.000)

contractor augmentation to successfully accomplish the unit's mission requirements. Some units arrive in Theater close to or at 100% strength with the proper amount of experience and skill sets. These units will require less augmentation. Some units arrive in Theater at 70% manning or below with a lack of experience and skill sets. These units will require more augmentation. This is a major contributing factor in contractor manning levels.

12. RECOMMENDATION: DODIG consider this response and incorporate responses into the final report.

13. Point of contact for this action is [REDACTED]


MICHAEL ALLARD
MAJ, AV
1st TSC Aviation Maintenance OIC

Defense Contract Management Agency, Ohio River Valley Comments

Final Report
Reference



DEFENSE CONTRACT MANAGEMENT AGENCY
AERONAUTICAL SYSTEMS DIVISION
6350 WALKER LANE
ALEXANDRIA, VA 22310-3241

IN REPLY
REFER TO: DCMAA-C

4 November 2009

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL DEPARTMENT OF
DEFENSE, PROGRAM DIRECTOR READINESS,
OPERATIONS, AND SUPPORT

SUBJECT: DoD-IG Draft Audit Report, Project D2008-D000LH-0249, Repair and
Maintenance Contracts for Aircraft Supporting Coalition Forces in
Afghanistan, Iraq, and Kuwait

This is in response to your October 9, 2009 request to provide comments on
recommendations detailed in subject report.

Recommendation A.1.a: We recommend that the Commander, Defense Contract
Management Agency Ohio River Valley (ORV) develop standardized measures of
effectiveness for reporting contractor output and monitoring contractor efficiency.

Response: Nonconcur. This recommendation is beyond DCMA's scope of
responsibility. The Performance Work Statement (PWS) drives the contractual
requirements and defines the standards to monitor the productivity and effectiveness of
the contractor. This information is tracked and reported by the Project Officer (PO) on
the Contract Field Team (CFT) 104 form. The PWS is placed on contract by the Program
Office, but the standards themselves are developed by the customer. DCMA understands
that the South West Asia (SWA) customer is revising the metrics to make them more
effective.

Recommendation A.1.b: Require the tracking and processing of reports of rework hours
and ensure that profit is not charged on rework.

Response: Concur. DCMA will require project officers to submit rework according to
the DCMA Contract Management Plan in paragraph 2-7. This requirement will also be
re-emphasized in the Project Officer Quality Assurance Representative (POQAR)
training conducted by the Program Office. DCAA reviews the contractor's accounting
and labor reporting systems to ensure the contractor has proper procedures in place for
charging rework hours. DCMA highlight the requirement with DCAA to ensure all
systems are in place and accurately capturing these requirements. Estimated Completion
Date 15 February 2010.

Deleted
Recommendation
A.1.a

Renumbered
Recommendation
to A.1.a

Recommendation A.1.c: Require floor checks to be performed and reported in a format that will increase oversight of contractor labor hour charging practices.

Response: **Partially Concur.** The current DCMA Contract Management Plan requires floor checks be performed by the on-site Project Officer. This element will be addressed at site visits and the annual CFT conferences. DCMA ACO will request DCAA perform labor system reviews and on-site floor checks to increase oversight of labor hour charges. It should be noted that sixty percent of the current contracts are Time and Materials with the balance Firm Fixed Price. Completion date 30 January 2010

Renumbered
Recommendation
to A.1.b

Recommendation A.1.d: Conduct site visits to Afghanistan, Iraq, and Kuwait to augment existing oversight of requiring activities.

Response: **Concur.** A recent trip by CFT PM and DCMA ORV personnel into Kuwait and Iraq took place from 17 August to 3 September 2009. Another trip to Afghanistan is planned for the spring 2010. DCMA, as part of the Program Manager's Southwest Asia Conference, will continue to visit Southwest Asia in the future. There are, however, inherent constraints to these visits based on funding and site transportation.

Renumbered
Recommendation
to A.1.c

Recommendation A.1.e: Determine the benefit of implementing semi-automated controls to assist manual controls in providing oversight.

Response: **Nonconcur.** This recommendation is beyond DCMA's scope of responsibility. The need for these controls is under the purview of the Program Office and Service end user. At the present time there is no contractual requirement for these automated systems to be utilized at the operational work sites. While the suggestion of automated processes may serve some benefit at particular locations, these contractors are often operating in a combat zone and in adverse conditions which limit automation.

Deleted
Recommendation
A.1.e

Please contact [REDACTED] if additional information is required.



MARIE A. GREENING
Executive Director

DCMA Technical Comments - DoDIG Draft Report: Repair and Maintenance Contracts for Aircraft Supporting Coalition Forces in Afghanistan, Iraq, and Kuwait (Project No. D2008-D000LH-0249.000)

Reference: Recommendation A.1.a, Draft Report Page 12

DCMA Technical Comments: DCMA is not sure that one “standardized” metric can be developed. The Report’s measure of effectiveness (Page 6) is the ratio of units completed over time as related to the number of employees at that location. The “unit” used in the table is a single maintenance work order, but such orders can vary significantly in both requirements and complexity, resulting in significant variations in labor hours required. For example, a sheet metal rivet work order may take the contractor three hours, while a phase inspection work order may properly take the contractor three weeks. In the IG’s analysis, each is considered a “unit”. Nor does this evaluation consider the type of aircraft. An AH-64 Apache attack aircraft is exponentially more complicated due to the various electrical and armament systems than a UH-60 Blackhawk aircraft, but again, in the table, each is considered a “unit.” Finally, the same repair or maintenance will vary in complexity and hours required by platform type. Thus a “unit” as charted on page 6 is not an accurate depiction of any performance measure. DCMA is unaware of any way to develop a standardized global measure of effectiveness.

Deleted
Recommendation
A.1.a



Inspector General Department of Defense

